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Customs and Excise

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GST GOODS AND SERVICES TAX

GUIDE FOR FST AND EXCISE TAX LICENSEES

Canada

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FST-1

Bill C-62, the proposed legislation on the Goods and Services Tax, received third reading and was passed by the House of Commons on April 10, 1990. Although this Bill has not yet received Royal Assent, Revenue Canada would like to help businesses and organizations prepare for the tax. Accordingly, the information contained in this publication, although subject to change, is being provided at this time for your convenience.

Printed under the authority of the Honourable Otto Jelinek, Minister of National Revenue.

Le présent guide sur la TPS est également disponible en français sous le titre «GUIDE À L'INTENTION DES TITULAIRES DE LICENCE DE LA TVF ET DE LA TAXE D'ACCISE».

A Message to FST and Excise Tax Licensees

As minister responsible for the administration of the proposed Goods and Services Tax (GST), I am pleased to provide you with this guide.

The information contained in this publication is the result of extensive consultation with the business community, and is but one example of how we are making the introduction of the proposed GST as easy as possible.

If, after reading the guide, you still need clarification of certain points, do not hesitate to call on one of my officials at any time. You can do so by dialing our toll-free enquiry lines, by letter, in person, or, if you have a personal computer with a modem, by accessing our GST database 24 hours a day. The access information, along with addresses and telephone numbers of Revenue Canada Excise offices, are listed on the back cover of this guide. By letting us know what your information needs are, we can serve you better.

Timing is everything in business. We can help you prepare for a smooth transition to the GST.

Otto Jelinek
Minister

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GST *FST and Excise Tax Licensees*

On January 1, 1991, the current Federal Sales Tax (FST) is scheduled to be replaced by the proposed Goods and Services Tax (GST).

Since the new tax system will differ in many ways from the FST system, this guide has been prepared to help firms licensed to pay the FST achieve a smooth transition to the GST. It will answer most basic questions on the transition to the GST, and lead you to the best sources of more detailed information.

This guide is divided into six sections:

- a brief overview of how the GST will work;
- the effect of the GST on purchases and other expenses of manufacturers and wholesalers;
- how to charge the GST on sales of goods;
- the basic administrative requirements of the GST – registration, elections, returns and payments, books and records;
- the transitional measures that will affect current FST licensees, especially for transactions that straddle the GST start-up date of January 1, 1991; and
- the current excise taxes that will be retained after the GST is implemented.

The guide concludes with a brief look at sources of additional information on the GST.

As an FST licensee, you should already have received some basic information on the GST, including a pre-registration booklet and an application form. If you have pre-registered, you should also have received our follow-up information.

For a more detailed interpretation of the Goods and Services Tax legislation, a series of GST Memoranda is available from any Revenue Canada Excise office.

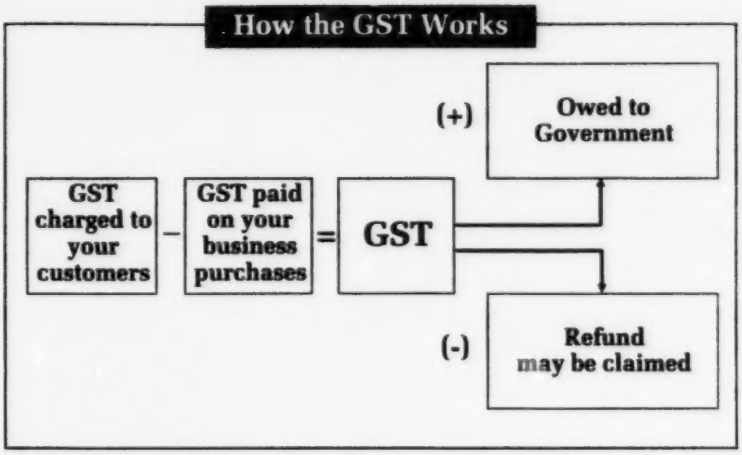
All GST publications mentioned in this guide are available free of charge from the Revenue Canada Excise office in your area.

How the GST Works

The proposed GST will be a tax based on consumption and will be applied to each transaction through the production and marketing process. This is unlike the current FST, which applies only once, usually at the manufacturer's level, to any particular item. The GST also will apply to a much wider range of goods than the FST and to most services as well.

Businesses whose total annual sales of taxable goods and services are more than $30,000 will be required to register for, charge and remit the GST.

GST registrants who provide taxable goods or services will pay the GST on their purchases and charge the GST on their sales. If the GST you charged is more than the GST you paid, you will send in the difference to Revenue Canada, Customs and Excise. If it is less, you will be able to claim a refund.



As a GST registrant, you will be able to claim an "Input Tax Credit" (ITC) for the GST you have paid on business purchases (related to providing taxable goods and services). This input tax credit can be claimed for the materials and services you have purchased for further manufacture or for resale (including imports), capital property purchases and any goods or services, such as office supplies, needed to operate your business.

When you complete your GST return, you will be able to deduct your input tax credit from the GST you have charged on sales. In this way, the input tax credit removes the GST from goods or services until they are finally purchased by the consumer.

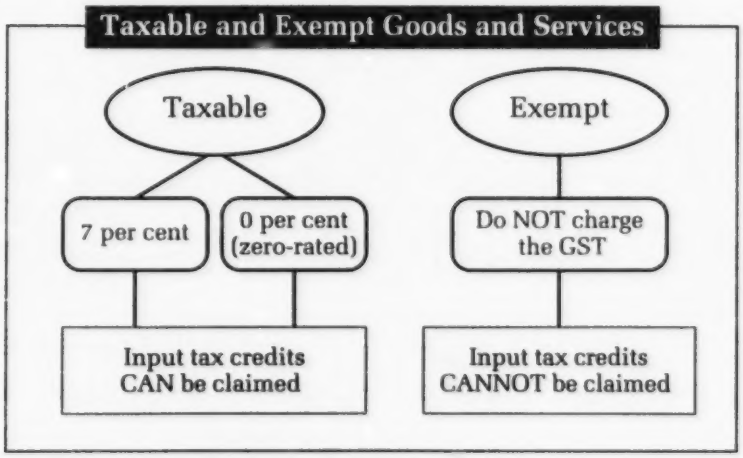
GST in Operation

Under the proposed GST, goods and services will be taxed at seven per cent or zero per cent (called "zero-rated"), or they will be GST-exempt.

Most goods and services sold or provided in Canada will be taxed at seven per cent. This means that you will charge the GST at seven per cent on the selling price of these goods and services.

Some items, such as exports, basic groceries and medical devices, will be zero-rated. You will not pay the GST on these items when you buy them, and you will not charge the GST if you sell or provide them. However, you will be able to claim an input tax credit for any GST you have paid on business purchases **used to provide these zero-rated goods**. Zero-rated supplies are listed in a new Schedule VI to the *Excise Tax Act*.

Certain goods and services, such as long-term residential rents (for example, apartment rentals) and most educational and health-care services, will be GST-exempt. This means that no GST will be charged on these items. However, unlike zero-rated goods mentioned above, you will not be able to claim an input tax credit on the purchases used to provide exempt goods and services. Exempt supplies, which constitute services not currently taxable under the FST, are listed in a new Schedule V to the *Excise Tax Act*.


Taxable and Exempt Goods and Services
Taxable
Exempt
7 per cent
0 per cent (zero-rated)
Do NOT charge the GST
Input tax credits CAN be claimed
Input tax credits CANNOT be claimed

After you have registered, you will be given a reporting schedule to follow for filing your GST returns. Reporting periods will be based on your total annual sales of taxable goods and services.

Normally, quarterly reporting periods will be assigned. However, you may be able to choose another reporting period if it suits your business better. These options are discussed later in this publication.

Purchases and Expenses

Licensed Manufacturers

Under the current FST system, licensed manufacturers are entitled to obtain, exempt from the federal sales tax, many of the materials and goods they use in the manufacture or production of goods. These goods include raw materials, partly manufactured goods, production equipment, processing materials, plans and drawings.

The exemption is normally obtained by providing the seller of the goods with a "certificate of exemption" at the time of purchase, which signifies that the goods are being purchased for use under FST-exempt conditions. For imports of such goods, manufacturers or producers obtain this exemption by placing a "Federal Sales/Excise Tax Status Code" on their Canada Customs Coding Form at the time of importation.

Input Tax Credits: Under the GST, businesses, including those that had been licensed under the FST system, will no longer be entitled to direct exemption on their purchases. However, as mentioned above, all businesses registered for the GST will be able to claim "input tax credits" in respect of tax paid on all purchases and expenses relating to their commercial activities. In claiming an input tax credit, a business basically offsets the GST it has paid on its business inputs (e.g. raw materials, capital property such as production machinery, hydro, rent, entertainment) against the GST it has collected on its provision of taxable goods and services.

Input tax credits will be available on a much wider range of goods and services than can be purchased exempt under the current system.

Detailed information on input tax credits is available in GST MEMORANDUM 400, **"INPUT TAX CREDITS"**.

Licensed Wholesalers

A wholesaler's licence allows a person to purchase or import goods for resale, exempt from FST.

Under the GST, there will be no equivalent to the wholesaler's licence. Wholesalers, like all other persons engaged in commercial activities, will pay any GST applicable on their purchases of goods for resale. However, they will be able to claim input tax credits for the GST they have paid on these purchases, as well as on all other taxable business inputs.

Sales of Goods

The proposed Goods and Services Tax will apply on the value of the consideration for any taxable supply made by a person in the course of a commercial activity in Canada, unless the supply is an exempt supply.

The "consideration" for a supply, in the case of a sale of goods, is simply the price at which the goods are sold, or if the goods are bartered, their fair market value.

"Commercial activity" includes any business such as manufacturing, wholesaling or leasing of goods.

A "taxable supply" is any provision of taxable goods or services, whether by way of a sale, transfer, barter, exchange, licence, rental, lease, gift or disposition.

The person liable to **pay** the GST will be the recipient of the supply, i.e., the purchaser of goods. The person who makes the supply, i.e., the seller, will be liable to **collect** the GST from the recipient and **remit** it to the Receiver General for Canada.

Goods Manufactured for Own Use

The FST is currently payable on goods you manufacture or produce for your own use in your business. Under the GST, there is no comparable "own-use" rule.

> If you manufacture an item for your own use in carrying out an all-inclusive lump-sum contract, the FST is payable on that item.
>
> Under the GST, however, tax would not be payable on the item as such. Instead, the GST would apply on the total consideration paid or payable by your customer for the whole contract.

When the GST is Payable

General rule: The GST is generally payable on the day consideration for a taxable supply is paid, or the day consideration for the supply becomes due, whichever is the earlier. On a sale, this will usually be the day you first issue an invoice to your customer. In this context, the day tax is payable means the day that tax liability arises, not the day that tax is required to be remitted to the Receiver General for Canada.

Consideration for a supply is deemed to become due on the earliest of:

- the day the supplier first issues an invoice for the supply or the date of that invoice, whichever is earlier;
- the day the supplier would, but for an undue delay, have issued an invoice; or
- the day the recipient of the supply is required to pay the consideration, or part of it, to the supplier under a written agreement.

Override rule: A special rule applies when there has been a considerable delay between the completion of a supply and the issuing of an invoice for the supply. If all or part of the consideration for a supply by way of a sale of goods has neither been paid nor become due by the last day of the calendar month after the month in which the sale is completed (i.e., when ownership or possession of the goods has passed), then GST becomes payable that day on the portion of the supply on which GST has not yet been paid.

> If you sell goods on time (e.g., 12 monthly payments), but the goods are delivered immediately, the GST in respect of all the payments will be payable by the end of the month after the goods were delivered.

This rule overrides the above general rule as well as the rule on instalment payments below.

Instalment sales: Some sales are made under agreements that call for periodic instalment payments to be made. Under the FST, tax on such sales is payable at the time each individual instalment becomes payable in accordance with the terms of the sales contract. A similar rule under the GST system provides that when consideration for a supply is paid or becomes due on more than one day, tax is payable on the earlier of the day each part of the consideration is paid or the day that the part becomes due.

However, this rule does not apply in cases governed by the override rule described above.

The treatment of instalment sales straddling the GST start-up date of January 1, 1991, is discussed later in this guide.

Continuous supplies: The override rule does not apply in the case of supplies made on a continuous basis, such as water, hydro, natural gas or telecommunications. On such continuous supplies, the GST is payable when the regular invoices for the supplies are issued.

Value of Supply

The GST will be payable on the value of the consideration for a taxable supply. For sales of goods, this will, in the vast majority of cases, simply be the price at which the goods are sold. If the goods are supplied for a consideration that is other than money, the GST will apply on the fair market value of the non-monetary consideration, expressed in money.

The concept of sale price, as defined in the FST provisions of the *Excise Tax Act* as the basis for FST tax calculation, will not be relevant to the GST, nor will the system of established values, determined values and reasonable sale price valuation used to arrive at a value for tax for FST purposes. If you sell taxable goods at different prices to different trade levels, you will collect GST at the rate of seven per cent of the consideration (price), applicable to each transaction.

Since the GST will tax services as well as goods, the exclusions from sale price for FST purposes that represent the service portion of a transaction will no longer apply. In other words, there will no longer be any deductions for transportation costs or erection and installation costs, because transportation, installation and erection will be services subject to the GST.

The GST tax base will include all other federal taxes and duties, such as excise duty, customs duties and excise taxes. This represents a change from the treatment of excise taxes in the tax base for the FST, since excise taxes (except for wines) do not form part of the FST tax base. Provincial retail sales taxes, however, will not generally be included in the GST base.

Non-arm's length transactions: As with the current FST, there will be a special rule for transactions between persons not dealing with each other at arm's length. In such cases, GST will be calculated on the fair market value of the supply when no consideration or inadequate consideration has been paid. However, this fair-market-value rule does not apply to transactions between GST registrants when the supply is for use in the commercial activities of the registrant receiving the supply.

Closely related corporations: Any two members of a group of closely related Canadian corporations can opt jointly to have all taxable supplies made between them, for use in the course of their commercial activities, treated as taxable supplies made for no consideration. To do this, the corporations must file a formal election with Revenue Canada Excise.

By taking advantage of this option, the closely related corporations would not have to keep track of the GST and input tax credits on transfers of goods and services between them. However, this election does not cover supplies of real property.

Further information on how to file for this election is available from Revenue Canada Excise offices.

Cash discounts: Under the FST system, cash discounts constitute deductions from sale price for tax calculation purposes. Under the GST, by contrast, a cash discount recorded on an invoice will not affect the GST payable. The GST will apply on the full amount of the invoice.

> If you sell a product for $1,000 minus a five per cent discount for prompt payment, the seven per cent GST will apply on the full $1,000, even though the customer paid only $950 ($1,000 minus five per cent) for the goods. Your customer, if a registrant purchasing the goods for business use, would be able to claim an input tax credit as if the goods had been sold without the discount.

Volume discounts: The treatment of volume discounts under the GST will be essentially the same as under the FST system. You will collect the tax on the initial amount paid or payable for a supply. If a volume discount is earned over a period of time, such as a year, and a credit note is issued to your customer for the discount earned, the amount of GST included in the credit note may be deducted from your tax payable for the period in which you issued the credit note. Since the rate of GST will be seven per cent, the GST

included in the credit note would be 7/107ths of the total amount of the note. Your customer, if a GST registrant, would add a similar amount to the net tax to be remitted on his or her next GST return.

Samples: You will not pay GST on products you give away free as promotional samples, provided they are given away in the normal course of business and are reasonable in the circumstances. This is because a sample would be a supply made for no consideration.

Input tax credits may be claimed, however, for tax paid in respect of purchases or expenses relating to these samples.

Coupons: GST will apply to the price your customer pays you for goods you sell **net** of any discount coupons redeemed. The face value of discount coupons for goods taxed at seven per cent will be a GST-included amount.

If you reimburse retailers for the value of coupons redeemed by their customers on goods you have sold to the retailers, the reimbursement and any associated handling costs will not be treated as consideration for a supply and will therefore not be subject to GST. However, you will be able to claim an input tax credit equal to 7/107ths of the face value of coupons relating to seven-per-cent taxable goods.

Rebates: If you offer cash rebates directly to your customers or to customers of other persons who sell your goods, you may claim an input tax credit of 7/107ths of the value of any rebate paid. This amount represents the GST included in the amount rebated.

Your customer, if a GST registrant, would be required to include 7/107ths of the rebate as an adjustment to the tax remitted with his or her next GST return, to the extent that the customer had previously claimed an input tax credit on this amount.

Returned goods: The treatment of returned goods under the GST is similar in principle to that under the FST.

When your customer returns goods for a refund, credit or adjustment, and you issue the customer with a credit note accordingly, you may deduct the amount of GST you return to the customer through the refund, credit or adjustment from the net tax payable on your next GST return.

When goods are returned in exchange for goods of equal value, no further GST would apply. When goods of greater value are supplied as replacements, the GST would apply on the difference in value paid by the customer.

If you are a licensed manufacturer or licensed wholesaler and you sell goods before 1991, on which FST has been paid, but which are returned by the customer after the GST is in effect, these goods will be treated the same as any other returned goods. In other words, the amount that may be deducted on your return from your net GST will be 7/107ths of the refund, credit or adjustment, not the amount of FST that had been paid on the goods.

Returnable containers: If you sell taxable goods that you manufacture, such as soft drinks, in returnable containers to retailers, GST will apply on the full selling price of the goods, including any amount paid by your customer as a deposit for the containers. When the retailer returns the containers, the refund you pay for the deposit would also include the GST, and you would claim an input tax credit of 7/107ths of the total amount of the refund.

The retailer would treat the deposit (with the GST included) as a single amount, with no GST implications.

Sales Invoices

Under the GST, you will be permitted to invoice the goods you sell either on a tax-included or tax-extra basis. However, if you sell goods tax-included, you must indicate on your invoice either the amount of GST included in your price, or the fact that GST is included in the price.

If you sell to other registered businesses, you should ensure that your invoices are set up to show the amount of GST included, or indicate which items are subject to the GST, since your customers will need, and can demand, this information to claim their input tax credits.

The information your registered customers will need depends on the amount of the invoice, as summarized in the following table.

Sales Invoices

Information Required	Total Sale under $30	Total Sale of $30 to $150	Total Sale over $150
Your business or trading name	✔	✔	✔
The date when the GST was paid or became payable	✔	✔	✔
The total amount paid or payable	✔	✔	✔
An indication of which items are subject to the GST and either the total amount of the GST charged or a statement indicating that prices include the GST		✔	✔
Your GST registration number		✔	✔
The purchaser's name or trading name			✔
Terms of sale (cash or credit)			✔
A brief description of the goods or service			✔

Administrative Requirements

Registration and Licence Cancellation

Registration: Every person engaged in a commercial activity in Canada is required to apply to be registered for the GST, unless the person qualifies as a "small supplier" by making total taxable supplies of not more than $30,000 a year.

Any person required to have an FST licence will be required to be registered for the GST, with the exception of certain persons licensed only to produce printed matter for their own use. This applies equally to both licensed manufacturers ("S" and "E" licences) and licensed wholesalers ("W" licences).

Registration for the GST will not be automatic for FST licensees. They will be required to apply for GST registration like any other business.

If you are an FST licensee, you should have already received a pre-registration kit and other information to help you get started with the GST.

Branches: Under the FST system, a manufacturer or wholesaler must be licensed as a single entity. However, its branches or divisions can file separate tax returns and maintain separate accounts with Revenue Canada Excise.

Under the GST, a business must also be registered on a single-entity basis. Registration would cover unincorporated divisions or branches. As a result, transfers of property or services between branches of a business will not be subject to the GST.

However, as with the FST, a business with divisions or branches may elect to have them file their GST tax returns separately. To do this, the business must be able to:

- demonstrate that the branches or divisions can be identified separately by their location or the nature of their activities; and
- that they use separate accounting systems with individual records and books of account.

More information on this election is available from your nearest Revenue Canada Excise office.

Current licences: Although the FST is scheduled not to be payable after December 31, 1990, there is no provision in Bill C-62, the legislation to implement the GST, for current licences to be cancelled. However, manufacturers' ("S") and wholesalers' ("W") licences, except where goods subject to excise tax are concerned, will become ineffective as soon as the GST is implemented.

Because licensed wholesalers will no longer be able to purchase goods for resale exempt of tax (except for certain goods subject to excise tax), they are encouraged to contact their local Revenue Canada Excise office to have their licences cancelled. Once these licences are cancelled, licensed wholesalers' security bonds will be returned to them.

If you hold an "E" licence and manufacture goods that will continue to be subject to excise tax after January 1, 1991, your "E" licence will remain valid.

Although licences may not yet have been cancelled by January 1, 1991, licensees will not be required to file FST returns for periods after 1990.

Returns and Payments

As with FST licensees, GST registrants will be required to file tax returns and account for tax to the Receiver General for Canada. Various filing and payment options will be available.

When you are registered for the GST, you will be advised of your filing frequency, which will be determined by the value of your annual sales and revenues of taxable goods and services, as indicated on your registration application form.

For most businesses, a quarterly filing frequency will be assigned. But there are options available which may allow you to choose another reporting period – monthly or annually – if it suits your business better. These options are outlined in the **"GUIDE FOR SMALL BUSINESS"** and, in greater detail, in GST MEMORANDUM 500-2, **"RETURNS AND PAYMENTS"**.

In this guide, some of the major differences between the FST and GST returns and payment systems will be briefly highlighted.

One important point to remember is that your GST return must include all taxable (including zero-rated) supplies of goods and services made in the course of your commercial activities – not just your sales of goods.

Due dates: GST returns and payments are generally both due on the same date, that is, the last day of the month following the period to which the return relates. No monthly or semi-monthly instalments are payable in advance of the return due date.

The only exception to the above rule is for annual filers. Their tax returns will be due within three months of the end of their fiscal year. In addition, they will be required to make quarterly instalment payments if their annual tax payable is greater than $1,000.

As with the FST, payments must be in the hands of the Receiver General by the due date. A postmark is not acceptable as proof that a payment has been made on time. Returns may be filed and payments may be made at banks or other participating financial institutions.

This will make it more convenient to file returns, since there will no longer be the current FST requirement to file a separate return with Revenue Canada Excise after making the tax payment at a bank. However, if your net tax payable is negative (i.e., if you are claiming a refund), you must file your return with Revenue Canada Excise, rather than with a financial institution.

Books and Records

The requirements for keeping books and records under the GST will be similar to those under the current FST.

Books and records will have to be retained for six years after the end of the year to which they relate. This rule will apply also to your FST book and records after the GST replaces the FST.

Essentially, books and records must be in such a form and contain sufficient information to enable Excise auditors to determine both your liability for GST on the taxable supplies you make and the amount of input tax credits that you are entitled to claim for your business purchases and expenses.

To substantiate these input tax credits, you will have to keep invoices of all your business purchases and expenses. These invoices must contain the information outlined on page 12 of this guide in the section on **Sales Invoices**.

Transitional Provisions

Transactions Straddling the GST Start-up Date

As a general principle, sales made before January 1, 1991, attract federal sales tax, while sales made on or after January 1, 1991, are subject to the Goods and Services Tax.

However, there are special transitional provisions to cover the application of tax to transactions that, in some way, straddle the GST start-up date of January 1, 1991. The intent of these provisions is to prevent double taxation, while ensuring that taxable goods and services do not escape taxation altogether.

Goods sold before January 1, 1991: When you sell goods to a customer and the goods are delivered, or the property in the goods passes to your customer, before January 1, 1991, FST, rather than GST, will apply on the sale. The only exception will occur if the goods are neither invoiced nor paid for before May 1, 1991, in which case the GST will apply instead of the FST.

Goods paid for before 1991, but delivered after 1990: The GST applies on sales of goods to businesses when the goods are paid for after August 1989, but before 1991, and are not delivered, and ownership is not transferred to the customer until after 1990.

If such goods are paid for or if payment becomes due after August 1989 and before September 1990, the purchaser, if not a consumer, will be responsible for remitting the GST to the Receiver General for Canada on or before April 1, 1991.

If your customer pays for the goods, or if payment becomes due, after August 1990 and before 1991, you are responsible for collecting the GST from your customer and remitting it to the Receiver General for Canada with your first return in 1991. Payments after August 1990 and before 1991 are deemed to have become due on January 1, 1991.

Note that the FST is not payable in either of the circumstances outlined above, since no sale has been made before 1991.

Prepaid supplies to consumers: A special rule applies for certain goods prepaid in whole or in part before September 1, 1990, that are purchased by consumers. The rule is invoked only when the goods are either motor vehicles or FST-taxable goods valued at more than $5,000, and if neither possession of the goods nor property in the goods has passed until after 1990.

Persons, including licensed manufacturers or licensed wholesalers, who supply such goods to consumers under these conditions, are required to pay GST on the total sale price to the consumer. A licensed manufacturer or licensed wholesaler will be deemed to have received and made a taxable supply of the goods on January 1, 1991, and will be able to claim an input tax credit for the part of the sale price that became due, or was paid without becoming due, after August 1990.

Instalments: When you sell to a customer who pays for the goods by instalments, FST is payable at the time each instalment is payable under the terms of the contract.

When such a contract straddles the GST implementation date of January 1, 1991, taxes will apply as follows:

- On contracts entered into before November 1989, FST is applicable to instalments payable before 1991. GST would apply on instalments payable on or after January 1, 1991. If an invoice for an instalment is issued before 1991 for a payment due in 1991, GST, not FST, is payable on the amount of the invoice. However, if any alterations are made to the contract that vary the timing or amount of the instalments, on or after November 1, 1989 and before 1991 (other than those which are reasonable to accommodate a change in the total amount of the contract), the contract will be treated as if any instalments due after November 1990 are payable on December 31, 1990. The FST will be applied to any remaining instalments as of that date.

On contracts entered into on or after November 1, 1989:

- if the goods are not delivered and the title to the goods has not passed before 1991, the FST applies only to instalments payable up to the end of 1990. Instalments payable after 1990 would be subject to the GST.
- if all of the goods have been delivered or all of the property in the goods has passed before 1991, FST applies in the normal manner to instalments payable up to the end of November 1990. Any remaining instalments are deemed to be payable on December 31, 1990. This means that the FST will apply on the remaining instalments on the same date. No GST will apply on the contract.

Licensed wholesalers: Under the FST system, tax is normally payable on sales by a licensed wholesaler at the time the goods are delivered to the wholesaler's customer. To ensure that goods sold by a licensed wholesaler in 1990, but which are not delivered until after 1990, remain subject to the FST, such goods will be deemed to have been delivered on the day they are sold, i.e., the day property in the goods passes to the purchaser.

Goods rented under FST-exempt conditions: The policy of Revenue Canada Excise is that no tax is payable on machinery and equipment first rented for use under FST-exempt conditions for at least 12 months. As well, no FST will apply on goods first rented for use under FST-exempt conditions in 1990 and not used under taxable conditions for the remainder of the duration of the FST.

Generally speaking, the GST will apply on rental charges made for a period after 1990, unless the lease agreement was entered into before August 1989.

FST Inventory Rebate

An FST inventory rebate will be available for any FST-paid goods held in your inventory for resale as of January 1, 1991.

FST licensees, who in addition to selling goods that they manufacture themselves sell tax-paid jobbed goods, will be eligible to claim the FST inventory rebate for these tax-paid goods only.

Licensed manufacturers will not be able to claim a rebate on goods that they manufacture or produce (or goods for which they are the legal or deemed manufacturer) held in inventory, since the FST will not yet have been paid on such goods.

Similarly, licensed wholesalers will not be eligible for this rebate on goods they have purchased for resale, since they carry FST-exempt inventories.

Please note that the FST inventory rebate applies only to federal sales tax, not to excise taxes.

If you think that you may be eligible to claim an FST inventory rebate, you should obtain a copy of GST MEMORANDUM 900, **"FEDERAL SALES TAX INVENTORY REBATES"**.

FST Refunds

Federal sales tax refunds will continue to be payable after 1990, for transactions taking place before January 1, 1991. Since the refund time limit is two years from the date the transaction occurred, the latest date possible for filing FST refunds will be December 31, 1992.

Excise Taxes

When the proposed GST is implemented on January 1, 1991, the current FST will no longer apply. Some of the present excise taxes will also be repealed, although most will remain in force. This section will deal with the treatment of excise taxes under the GST system.

Excise Taxes to be Repealed

Excise taxes on the following goods will be repealed, effective January 1, 1991:

- playing cards;
- devices, commonly or commercially known as lighters, that produce sparks, flame or heat, whether or not in combination with other articles;
- coin-, disc- or token-operated games or amusement devices of all kinds;
- tobacco pipes, cigar and cigarette holders, and cigarette rolling devices; and
- matches.

No excise tax will apply on these goods when sold by a licensed manufacturer or producer or a licensed wholesaler, on or after January 1, 1991. Licences pertaining to these goods will cease to have effect after 1990.

Continuing Excise Taxes

The excise taxes on certain goods will be retained after implementation of the GST. These are summarized below:

- wines;
- cigarettes, cigars and manufactured tobacco;
- clocks and watches valued at more than $50;

- real or imitation jewellery, precious or semi-precious stones, articles made from semi-precious stones, goldsmiths' and silversmiths' products;
- gasoline, diesel fuel, aviation gasoline and aviation fuel;
- air conditioners for use in automobiles and trucks; and
- automobiles weighing more than 2,007 kilograms.

Operation of Excise Taxes

Excise tax liability will be independent of GST liability – the existing rules for time of payment of excise tax, value for tax, returns and payments, etc., will continue to apply.

Excise tax licensees will continue to purchase excisable goods for incorporation into finished excisable products exempt from excise tax under certificate of exemption. Licensed wholesalers of excisable goods, who are currently permitted to purchase or import certain goods exempt from excise tax, will also continue to purchase those goods for resale without paying the excise tax. It should be noted that the certificate of exemption referred to above applies only to excise tax. It will not affect the obligation to pay the GST.

Excise tax licensees will also continue to be liable for excise tax on their sales of excisable goods, unless the goods are sold under excise-tax-exempt conditions.

Returns: The system of filing returns and making payments of excise taxes will remain essentially unchanged after January 1, 1991. Excise tax licensees will be required to file a separate tax return for their excise taxes in addition to their GST return. The form used will continue to be the B-200 "Federal Tax Return" currently used for both sales and excise taxes.

A return will automatically be mailed to each excise tax licensee in advance of the return due date, which will include instructions on where to file the return.

Additional Assistance

For more information about the GST, please contact the Revenue Canada Excise office that you normally deal with for FST matters.

To help you understand the GST and more easily comply with it, Revenue Canada, Customs and Excise, has established an Enquiries Program to answer your questions.

We have also set up a special service called the Advisory Program. Under this program, Revenue Canada Excise staff can visit your office to discuss any specific problems that you may have.

Simply call one of our local or toll-free telephone numbers listed on the back cover of this guide.

REVENUE CANADA EXCISE OFFICES

MAILING ADDRESSES	GENERAL ENQUIRIES	
	LOCAL	LONG DISTANCE
NEWFOUNDLAND AND LABRADOR P.O. Box 5500 St. John's, Newfoundland A1C 5W4	772-2851	1-800-563-4950
NOVA SCOTIA P.O. Box 1658 Halifax, Nova Scotia B3J 2Z8	426-1975	1-800-565-9111
PRINCE EDWARD ISLAND P.O. Box 1658 Halifax, Nova Scotia B3J 2Z8	566-7272	1-800-565-9111
NEW BRUNSWICK P.O. Box 1070 Moncton, New Brunswick E1C 8P2	858-3727	1-800-561-6656
QUEBEC P.O. Box 2117, Postal Terminal Québec, Quebec G1K 7M9	648-4376	1-800-363-5254
P.O. Box 6092, Station "A" Montréal, Quebec H3C 3H3	496-1494	1-800-361-8339
ONTARIO P.O. Box 8257 Ottawa, Ontario K1G 3H7	990-8584	1-800-465-6160
P.O. Box 100, Station "Q" Toronto, Ontario M4T 2L7	973-1000	1-800-461-1082
P.O. Box 5457 London, Ontario N6A 4L6	645-4041	1-800-265-0017
MANITOBA P.O. Box 1022 Winnipeg, Manitoba R3C 2W2	983-4525	1-800-665-8749
SASKATCHEWAN P.O. Box 557 Regina, Saskatchewan S4P 3A4	780-7279	1-800-667-8886
ALBERTA/NORTHWEST TERRITORIES P.O. Box 1717, Station "M" Calgary, Alberta T2P 4K4	292-6990	1-800-661-3498
P.O. Box 2296, Main Postal Station Edmonton, Alberta T5J 4N3	448-1309	1-800-661-3498
BRITISH COLUMBIA/YUKON P.O. Box 82110, North Burnaby Postal Station Burnaby, British Columbia V5C 5P2	666-4664	1-800-561-6990

HEARING DISABILITY
If you are deaf or have a hearing disability, and have access to a Telephone Device for the Deaf, telephone 1-800-465-5770.

REGULAR HOURS OF TELEPHONE AND COUNTER SERVICE
Monday to Friday 8:00 a.m. to 5:00 p.m. (except holidays)

OTHER LANGUAGES
Some Excise offices offer help in languages other than English and French. Contact your Excise office for more details.

LONG DISTANCE CALLS
No charge to caller. Dial as directed.

ELECTRONIC DATABASE
If you have difficulty accessing this "keyword" searchable database by modem at 1-800-267-4500, contact your local Excise office.

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